

AR44

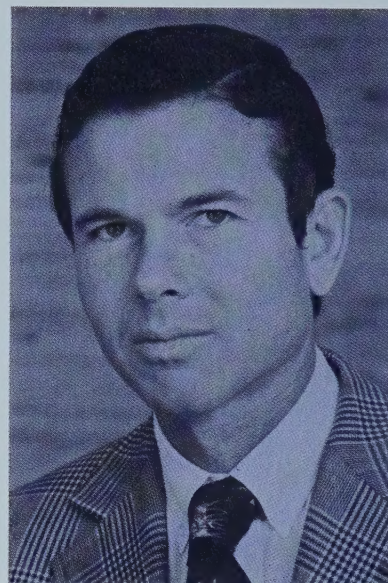
1975 Annual Report



Firan

INTERNATIONAL LIMITED

REPORT TO THE SHAREHOLDERS



Despite the inroads of recession in the closing months of the fiscal year, we managed to improve our profit picture by 13¼% over last year and 66% over two years ago. The companies we started with in 1971 are the same ones we have today.

Advances in 1974/75 were due mainly to the participation of Graphico Precision Works in the rapidly expanding electronics industry — especially in the military sector. Graphico is a major supplier of electronic printed circuit boards to Canadian and U.S. companies engaged in vital defense programs.

Advances in 1972/73 (the first years represented here) were largely achieved by Professional Bowling, not only because of excellent sales in the domestic market but also by huge exports to the mushrooming Japanese bowling industry.

Again next year, in spite of current economic conditions, we anticipate that we can maintain profit levels. An expansion at Graphico is under way to double its scope and capacity. Professional Bowling will introduce to the Canadian bowling market in 1975 a new and technically superior automatic pinsetter (5 pins). High volume sales are predicted. Made entirely in Canada, this machine offers strong competition to U.S.-based Brunswick Corporation.

Kevco, though profitable from its inception, is developing a new product for the electronics industry which will have a major impact on our company. Quality Plastics is continuing its

emphasis on high technology engineered products. Firan Electronics will market new electronic measuring devices which have numerous industrial applications.

Among other interesting developments in 1974 was a contractual agreement reached between Graphico Precision Works and a Boston electronics manufacturer, Sanders Associates, Inc. This agreement provides for a sharing of all Research and Development for the next 15 years.

A major acquisition in the housing and leisure field is under consideration for the next fiscal year.

A handwritten signature in dark ink that reads "Morgan Firestone". The signature is fluid and cursive, with the first name "Morgan" and last name "Firestone" clearly distinguishable.

Morgan Firestone
President.

4-YEAR STATISTICAL COMPARISON

for the year
ended March 31,
1975 (with 1974, 1973,
and 1972 figures for comparison)

Firan
International
Limited
and subsidiary companies

YEARS ENDED MARCH 31,	1975	1974	1973	1972
Sales	\$7,394,283	\$6,615,757	\$6,216,470	\$4,946,967
Net Income	\$711,238	\$628,511	\$427,576	\$113,096
Earnings per Share	\$1.03	\$.91	\$.62	\$.16
Return on Shareholders Investment	24.6%	23.7%	17.9%	4.5%

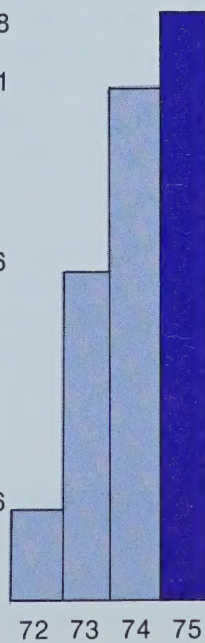
Sales

\$7,394,283
\$6,615,757
\$6,216,470
\$4,946,967



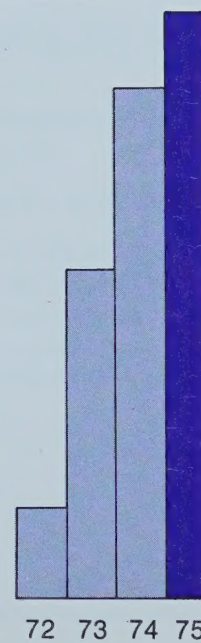
Net Income

711,238
628,511
427,576
113,096



Earnings per Share

\$1.03
\$.91
\$.62
\$.16



CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED MARCH 31, 1975

(with 1974 and 1973 figures for comparison)

Firan
International
Limited
and subsidiary companies

	<u>1975</u>	<u>1974</u>	<u>1973</u>
SALES AND OTHER INCOME	<u>\$7,394,283</u>	<u>\$6,615,757</u>	<u>\$6,216,470</u>
COSTS AND EXPENSES:			
Cost of goods sold	4,784,862	4,329,023	4,451,040
Selling and administrative expenses	972,829	832,172	838,901
Interest on long-term debt	32,539	18,006	11,255
Other interest	42,305	35,727	17,213
Depreciation and amortization	346,860	292,871	199,244
Minority interest	<u>—</u>	<u>—</u>	<u>4,108</u>
Total costs and expenses	<u>6,179,395</u>	<u>5,507,799</u>	<u>5,521,761</u>
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	1,214,888	1,107,958	694,709
PROVISION FOR INCOME TAXES	<u>503,650</u>	<u>470,950</u>	<u>315,321</u>
INCOME BEFORE EXTRAORDINARY ITEMS	711,238	637,008	379,388
EXTRAORDINARY ITEMS (Note 7)	<u>—</u>	<u>(8,497)</u>	<u>48,188</u>
NET INCOME FOR THE YEAR	<u>\$ 711,238</u>	<u>\$ 628,511</u>	<u>\$ 427,576</u>
EARNINGS PER SHARE	<u>\$1.03</u>	<u>\$.91</u>	<u>\$.62</u>

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED MARCH 31, 1975

(with 1974 figures for comparison)

Firan
International
Limited
and subsidiary companies

	<u>1975</u>	<u>1974</u>
RETAINED EARNINGS AT BEGINNING OF YEAR	\$ 987,706	\$359,195
NET INCOME FOR THE YEAR	<u>711,238</u>	<u>628,511</u>
RETAINED EARNINGS AT END OF THE YEAR	<u>\$1,698,944</u>	<u>\$987,706</u>

The accompanying notes are an integral part of the financial statements.

AUDITORS' REPORT

To the Shareholder of
Firan International Limited:

We have examined the consolidated balance sheet of Firan International Limited and its subsidiary companies as at March 31, 1975 and the consolidated statements of income and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1975 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

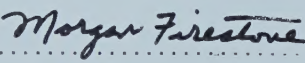
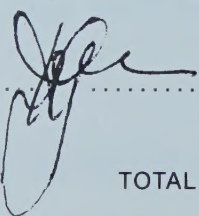
Deloitte, Haskins & Sells

June 5, 1975.

Chartered Accountants.

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 1975

(with 1974 figures for comparison)

	<u>1975</u>	<u>1974</u>
ASSETS		
CURRENT ASSETS:		
Cash and short-term deposits	\$ 466,196	\$ 216,633
Marketable securities at cost which approximates market (Note 2)	—	254,127
Accounts receivable	862,471	925,271
Inventories (Note 3)	1,261,513	1,318,940
Prepaid expenses and sundry deposits	<u>31,059</u>	<u>48,184</u>
Total current assets	<u>2,621,239</u>	<u>2,763,155</u>
INVESTMENTS — at cost (market value — \$105,110) (Note 2)	<u>167,281</u>	<u>—</u>
PROPERTY, PLANT AND EQUIPMENT — at cost (Note 4)	3,966,266	3,265,946
Less accumulated depreciation and amortization	<u>1,295,486</u>	<u>1,017,102</u>
Net property, plant and equipment	<u>2,670,780</u>	<u>2,248,844</u>
OTHER ASSETS:		
Deferred development costs, less amount amortized	225,603	93,990
Licence (Note 5)	60,000	—
Excess of cost of subsidiaries over net assets	<u>1,985,510</u>	<u>1,985,510</u>
Total other assets	<u>2,271,113</u>	<u>2,079,500</u>
Approved by the Board:		
	Director	
	Director	
TOTAL	<u>\$7,730,413</u>	<u>\$7,091,499</u>

The accompanying notes are an integral part of the financial statements.

LIABILITIES AND SHAREHOLDER'S EQUITY

The accompanying notes are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1975

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation and statement presentation:

The consolidated financial statements include the accounts of Firan International Limited and its wholly-owned subsidiary companies:

Graphico Precision Works Limited,
Professional Bowling Service Limited,
Quality Plastics Limited,
Kevco Industries Limited,
Firan Electronics Inc.

During 1974 the company sold its investment in Deutsche Graphico, formerly an 80% owned subsidiary. Included in consolidated earnings for 1974 is the loss on sale of this subsidiary of \$20,255 comprised of the excess of costs of investment of \$30,940 and accumulated earnings of \$16,433 over the proceeds of \$27,118.

Foreign exchange:

U.S. dollar accounts in these financial statements have been translated to Canadian dollars as follows:

Current assets and current liabilities — at a rate approximating the rate of exchange prevailing at the end of the year.

Non-current assets, income and expense accounts — at a rate approximating the rate of exchange prevailing on the dates of the transactions.

Inventory:

Finished goods and work in process are valued at the lower of cost (first-in, first-out basis) and net realizable value. Raw materials are valued at the lower of cost and replacement cost.

Property, plant and equipment:

Property, plant and equipment are valued at cost. It is the company's policy to provide for depreciation of buildings, machinery and equipment, and automotive equipment under the declining-balance method at rates varying from 4% to 30%. The cost of equipment leased to customers, less the estimated residual value, is being

depreciated monthly over the terms of the leases under the straight-line method. Leasehold improvements have been amortized over the terms of the leases.

Deferred development costs:

Costs relating to the development of new products are capitalized and amortized on a straight-line basis as the products are sold, \$172,000 of the deferred development costs relate to pinsetting machines which came into full production subsequent to the year end.

Income taxes:

The company accounts for income taxes on the tax allocation basis. Deferred income taxes arise primarily as a result of depreciation deducted in the determination of taxable income but not yet charged to earnings.

2. INVESTMENTS

The investments in marketable securities, previously classified as current assets, have been reclassified as non-current investments since it is the company's intention to pledge these investments as security for financing required for planned capital expenditures (see Note 4). Increases in the market value of the investments subsequent to the year end reduced the market value deficiency of \$62,171 at March 31, 1975 to \$39,197 at May 31, 1975.

3. INVENTORIES

The major categories of inventories comprise the following:

	1975	1974
Finished goods and work		
in process	\$ 863,082	\$ 711,135
Raw materials	398,431	607,805
Total	<u>\$1,261,513</u>	<u>\$1,318,940</u>

4. PROPERTY, PLANT AND EQUIPMENT

The major categories of property, plant and equipment and related accumulated depreciation and amortization as at March 31, 1975 are as follows:

	Cost	Accumulated Depreciation and Amortization
Land	\$ 68,428	\$ —
Buildings	999,188	136,507
Machinery and equipment	2,417,336	1,027,229
Equipment leased to customers	351,071	74,001
Automotive equipment	93,252	48,609
Leasehold improvements	36,991	9,140
	<u>\$3,966,266</u>	<u>\$1,295,486</u>

The company is committed to additions to property, plant and equipment totalling approximately \$600,000.

5. LICENCE

The company has purchased a licence entitling it to the exclusive use of certain technology. The cost of this licence will be amortized over the minimum term of the licence (fifteen years) commencing in 1976. Under the terms of this licencing agreement, the company is committed to minimum total royalty payments of \$450,000 over the next fifteen years.

6. LONG-TERM DEBT

The long-term debt consists of:

	1975	1974
Government of Canada loans .	\$ 45,000	\$106,597
Mortgages payable	275,379	249,275
Loan from shareholder	442,602	446,502
	<u>762,981</u>	<u>802,374</u>
Less current portion	<u>179,080</u>	<u>104,304</u>
	<u>\$583,901</u>	<u>\$698,070</u>

The non-interest-bearing Government of Canada loans are secured by a charge on specific equipment, and are repayable in the year ending March 31, 1976.

The mortgages are secured by land and buildings and consist of the following:

	1975	1974
7½% mortgage repayable in monthly instalments of \$519, including principal and interest, due January, 1976	\$ 51,411	\$ —
14% mortgage repayable in monthly instalments of \$1,800, including principal and interest, due June, 1975	47,045	61,180

Term bank loan at current bank
rates repayable in monthly
instalments of \$3,031 plus
interest due October, 1980 ..

176,923	188,095
<u>\$275,379</u>	<u>\$249,275</u>

The loan from shareholder is non-interest-bearing, with no fixed term of repayment. The shareholder has agreed that he will not demand payment of this loan within the next year.

7. EXTRAORDINARY ITEMS

Details of the extraordinary items are as follows:

	1975	1974	1973
Loss on sale of subsidiary company	\$ —	\$(20,255)	\$ —
Gain on sale of 50% owned company (less related income taxes of \$11,128)	—	—	29,528
Income tax deductions resulting from utilization prior years' losses	<u>—</u>	<u>11,758</u>	<u>18,660</u>
	<u>\$ —</u>	<u>\$ (8,497)</u>	<u>\$48,188</u>

8. CONTINGENT LIABILITY

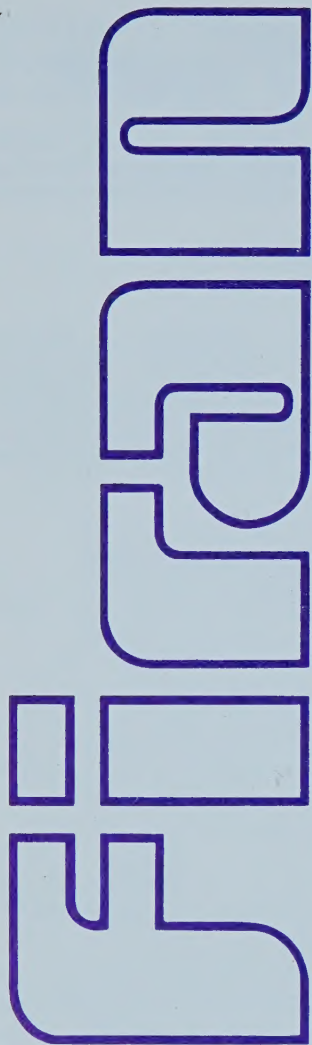
Certain sales of bowling equipment have been financed by customers through bank loans which are secured by chattel mortgages. In the event of default by the customers, the company has agreed to repurchase the machines for the unpaid balance of these loans. The amount outstanding on such loans at March 31, 1975 is \$101,103 (1974 — \$132,558).

9. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Remuneration of directors and senior officers, as defined by The Business Corporations Act, Ontario, was \$62,376 for the year. (1974 — \$52,860).

10. EVENT SUBSEQUENT TO THE YEAR-END

Subsequent to the year-end the Company has acquired all the outstanding shares of Richmond Hill Electronics Limited for \$108,000. The purchase price is to be satisfied by the issuance of 10,800 6% preference shares.



THE
Firan
GROUP:

**GRAPHICO
PRECISION WORKS**

Graphico Precision Works Limited is the largest independent manufacturer and supplier of printed circuits to the Canadian electronics industry. One of the largest in North America, it has technical capabilities which cover the entire range of printed circuit technology — single, double-sided, multilayer, and flexible printed circuit boards.

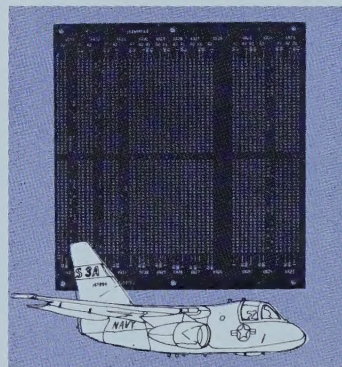
Graphico supplies precision components to communications, computer, aerospace and aviation industries. A large factor in defense programs for the U.S. and Canada, Graphico products are found in a variety of electronic systems. For example, in the Lockheed U.S. Navy Viking Aircraft (illustrated); in elec-

tronic devices used in underwater anti-submarine surveillance; in satellite projects such as Canada's Anik program.

Graphico was a pioneer in the introduction of printed circuits made from Polyimide Glass Laminates. Polyimide out-performs other printed circuit board materials commonly used today.

In addition to printed circuitry, Graphico produces terminal boards, photo etched panels, dials and pointers, edge-lit panels, graphic or mimic panels, and precision fabricated sheet metal parts. These capabilities complement its printed circuit board production.

An expansion is under way at Graphico Precision Works, 1100 Bellamy Road, Scarborough, to double its scope and capacity.



Company Officers & Directors

Morgan

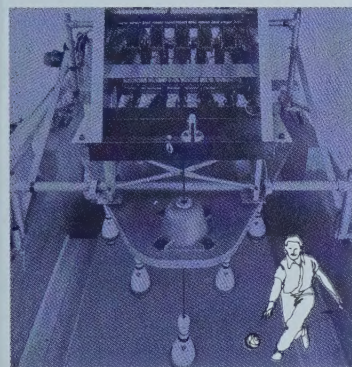
Firestone	Firan International Limited
R. Scherenzel	Graphico Precision Works Ltd.
O. Kinzler	Professional Bowling
W. G. Weiler	Kevco Products Ltd.
V. S. Babey	Quality Plastics Ltd.
D. Goldberg	
A. C. Jemison	Firan International Limited
A. Erickson	Firan International Limited

President
President
President
President
Director
Vice-President
Finance

PROFESSIONAL BOWLING SERVICE

Professional Bowling Service is the only Canadian-owned manufacturer of bowling pins and automatic pin setters which competes successfully with the giants of the industry, all U.S.-based firms.

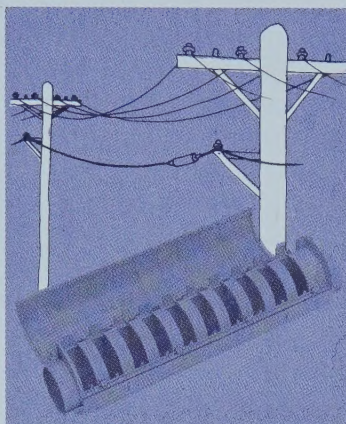
The PBS line of plastic-coated Blue Star bowling pins for the 10-pin game, and Pro Pins for the 5-pin game, have set new standards of quality and longevity for bowling lane operators in Canada. One and a half million ten pins have been exported to Japan, Europe and Australia.



In addition, the PBS Automatic 5-Pin Setter (illustrated), first to adapt the "string" principal to 5-pin setters in North America, has now introduced a completely computerized, Canadian-made electronic control which offers longer life, a stronger guarantee in parts and service, and more economy than ever in the operation of 5-pin lanes.

Since its beginning, PBS has expanded production facilities at 360 Enford Road, Richmond Hill, Ontario, from 2,400 to 30,000 square feet.

QUALITY PLASTICS



Quality Plastics, located in the head office building at 353 Iroquois Shore Road, Oakville, Ontario, has the production facilities and manufacturing techniques which make it one of Canada's most diversified producers of both extruded and injection moulded plastic products — with injection capacity from 8 to 70 oz., and extruding of almost any size and type, profile or tubing.

Quality Plastics works with all types of thermoplastics, and in particular, specializes in engineering materials such as nylons, acetal, polycarbonates, P.V.C. and others.

Quality also offers auxiliary services such as ultrasonic assembly, machine shop, warehousing, laboratory, and complete engineering and design facilities.

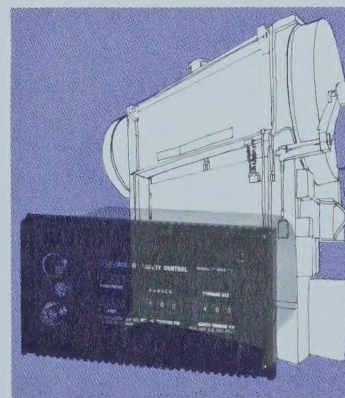
Illustrated is injection moulded terminal cage for communications systems.

FIRAN ELECTRONICS

Firan Electronics, also located at the headquarters building in Oakville, specializes in the custom design and manufacture of industrial controls, and more recently, in the manufacture of master clock systems and automation equipment for broadcast and education.

Currently, Firan Electronics is producing such electronic equipment as Master Controls for automatic car-wash installations; Firan Electronic Programmer to control the operation of hydraulic sheet metal feeders; Bidirectional Rotary Transducer for precision measurements under severe environmental conditions (illustrated); Electronic Length Counter and Cutter Control for accurately measuring plastic tubing, wire, and other extrudate; and True Hit Safety Counter for controlling and counting the output of blanking and stamping presses.

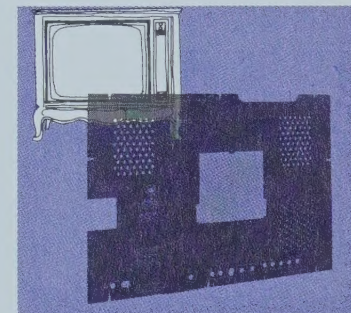
Other types of industrial controls are being developed and will be announced to the industries concerned as prototypes are perfected.



KEVCO INDUSTRIES

Kevco Industries is a firm of die-cutting specialists — with the capability to produce die-cut parts from virtually any material except steel — including hardboards, veneers, felt, fiber, rubber, closed-cell rubber, and cardboard based materials.

In electronics, Kevco parts are found in many of North America's most famous trade names in television (illustrated), radio, stereo, tape and record playing systems, and other types of sound equipment. Parts include back and bottom covers, vinyls for stereo cabinets, special speaker mounts, motor board covers, dial covers, and many more.



For the automotive industry Kevco produces felt wicks for car heater motors, and range hood assemblies. In furniture, components for bedroom, dining room, and kitchen suites as well as other home furnishings.

At its new 28,500 sq. ft. plant, 56 Trillium Park Place, Kitchener, Ontario, Kevco is in the process of installing a new production line for the manufacture of high volume printed circuit boards for domestic and export markets. This will be the most modern facility of its kind in Canada.

